

Coverage Tests	The portfolio of Eligible Collateral Debt Securities and Eligible Investments shall satisfy the Principal Coverage Tests as of the Closing Date and the Ramp-Up End Date. The Coverage Tests will also be required to be satisfied as of the Period End Date related to any Payment Date (beginning with the second Payment Date, in the case of the Interest Coverage Tests). The Coverage Tests will be used on each Period End Date (beginning on the Period End Date relating to the second Payment Date in the case of the Interest Coverage Tests) while any Secured Notes are Outstanding to determine whether principal prepayments will be required to be made in accordance with the Priority of Payments. See "—Priority of Payments" and "Risk Factors—Mandatory Principal Prepayment of Notes".
General Terms of the Class A1 Swap and the Class A1 Notes	On the Closing Date, the Issuer will enter into a swap agreement (the "Class A1 Swap") with the Class A1 Swap Counterparty. The Class A1 Swap Counterparty will be required to satisfy the Class A1 Requisite Ratings. Citigroup Inc. will provide a guaranty for the Class A1 Swap Counterparty's performance under the Class A1 Swap in order to satisfy the Class A1 Requisite Ratings. See "The Class A1 Swap".
<i>Class A1 Note Fundings</i>	Pursuant to the Class A1 Swap, the Issuer will be entitled to obtain Class A1 Note Fundings from time to time in an initial amount of up to U.S.\$500,000,000, as reduced from time to time to the extent required in accordance with the Priority of Payments or in accordance with the terms of the Class A1 Swap (such initial amount, as reduced as of any date of determination, the "Class A1 Swap Notional Amount").
<i>Reductions in Class A1 Swap Notional Amount</i>	<p>Subject to satisfaction of the conditions to borrowing, the Issuer may obtain Class A1 Note Fundings from time to time in an aggregate principal amount at any one time outstanding up to the full amount of the Class A1 Swap Notional Amount. The Issuer may obtain Class A1 Note Fundings only in order to (i) pay any CDS Asset Loss Payment, (ii) make any CDS Asset Interest Payment or (iii) pay any CDS Asset/SCA Issuer Termination Payment (other than a Subordinated CDS Asset/SCA Termination Payment). The Class A1 Swap will terminate on the Class A1 Swap Termination Date.</p> <p>On each Class A1 Note Funding Date, the Class A1 Swap Notional Amount will be reduced by the Principal Balance—Aggregate of the Class A1 Notes issued on such date. The Class A1 Swap Notional Amount will not be increased after any such reduction. See "The Class A1 Swap—Notional Amount".</p>
<i>Class A1 Option Fee</i>	The Class A1 Option Fee will accrue on the Class A1 Swap Notional Amount—Average at a rate equal to 0.28% per annum (the "Class A1 Option Fee Rate") and will be payable in arrears on each Payment Date in accordance with the Priority of Payments.
<i>Payments on Class A1 Notes</i>	Interest shall accrue on the Class A1 Notes at the Periodic Interest Rate for the Class A1 Notes. On each Payment Date, the Issuer is required to make interest and principal payments on the Class A1 Notes in accordance with the Priority of Payments.
<i>Class A1 Swap Ratings Event</i>	If a Class A1 Swap Ratings Event shall occur and be continuing, and if the Mandatory Funding/Ratings Provisions are applicable, the Class A1 Swap Counterparty will take one of the following actions (at its own expense and while continuing otherwise to perform its obligations pursuant to the Class A1 Swap): (A) transfer all of its rights and obligations under the Class A1 Swap to another entity with ratings at least equal to the thresholds set forth in the definition of "Class A1 Swap Ratings Event"; or (B) cause an entity with ratings at least equal to the thresholds set forth in the definition of "Class A1 Swap Ratings Event" to guarantee or provide an indemnity or letter of credit in respect of the obligations of the Class A1 Swap Counterparty. In

addition, if a Class A1 Swap Ratings Event has occurred and is continuing for 30 days, the Class A1 Swap Counterparty will be obligated to fund a Class A1 Mandatory Note Funding if the Mandatory Funding/Ratings Provisions are applicable.

CDS Asset Collateral Account

Establishment of Account

The Trustee will establish the CDS Asset Collateral Account for the benefit of the CDS Asset Counterparties. The CDS Asset Collateral Account will initially have U.S.\$369,000,000 on deposit, and the balance in such account may be increased and decreased from time to time at the discretion of the Manager; *provided that*, as of any date of determination, the sum of the balance in the CDS Asset Collateral Account *plus* the amount on deposit in the Capacity Subaccount of the Reserve Account *plus* the Class A1 Swap Notional Amount is at least equal to the Net Aggregate Adjusted Notional Amount as of such date (in other words, the CDS Asset Capacity Amount does not become a negative number). Amounts maintained in the CDS Asset Collateral Account will be assets of the Issuer and the claims of the CDS Asset Counterparties will not be limited to such amounts.

Deposits to and Investments in the Account

Amounts will be transferred from the Capacity Subaccount of the Reserve Account to the CDS Asset Collateral Account at the discretion of the Manager. Amounts on deposit from time to time in the CDS Asset Collateral Account will be invested in CDS Collateral Eligible Securities in accordance with the CDS Collateral Agreement.

Discretionary Transfers to the Account

Until the third anniversary of the Closing Date, the Manager may determine to use Sale Proceeds from dispositions of Cash Assets to increase the CDS Asset Capacity Amount. Upon making such a determination, the Manager must first repay any accrued and unpaid interest on and principal of the Class A1 Notes and then transfer any remaining Sale Proceeds to the CDS Asset Collateral Account in order to collateralize the acquisition of such additional CDS Assets.

Until the third anniversary of the Closing Date, to the extent that on any Business Day any reduction in the CDS Reference Obligation Notional Amounts under one or more CDS Assets, after giving effect to any required payments in respect of CDS Assets, shall have resulted in a positive CDS Asset Capacity Amount, the Manager may, to the extent of such positive amount: (a) cause the liquidation of CDS Collateral Eligible Securities at the direction of the CDS Collateral Securities Counterparty pursuant to the terms under the CDS Collateral Agreement and transfer the proceeds thereof to the Collection Account to be treated as Principal Collections for application to the purchase of one or more Cash Assets selected by the Manager; *provided that* such liquidations and transfers shall be limited to not more than U.S.\$100,000,000 on a cumulative basis over such three-year period; (b) acquire one or more additional CDS Assets having an aggregate notional amount up to such positive amount of CDS Asset Capacity Amount; or (c) cause the liquidation of CDS Collateral Eligible Securities pursuant to the terms under the CDS Collateral Agreement and transfer the proceeds thereof to the Collection Account for the purpose of making payments in accordance with the Priority of Payments.

Funding the Account

Pursuant to the Priority of Payments and *provided that* any accrued interest on and principal of any Class A1 Notes has been repaid, Principal Collections will be paid into the Capacity Subaccount of the Reserve Account to the extent that the Class A1 Swap Notional Amount has not been reduced to zero. Any such payments into the CDS Asset Collateral Account pursuant to the previous sentence will reduce the Class A1 Swap Notional Amount to the extent of the amounts deposited.

Use of Funds in the Account

The amounts available in the CDS Asset Collateral Account will be used to make CDS Asset Payments directly to CDS Asset Counterparties or, in the case of CDS Asset Payments payable on Payment Dates, to make transfers to the Collection Account for the making of such CDS Asset Payments and other payments in accordance with the Priority of Payments.

Total Rate of Return Swap

On the Closing Date, the Issuer will enter into a total rate of return swap (the "CDS Collateral Agreement") with the CDS Collateral Securities Counterparty with an initial notional amount of U.S.\$369,000,000 and total available notional amount of U.S.\$500,000,000, pursuant to which the CDS Collateral Securities Counterparty will agree (i) to purchase the CDS Collateral Eligible Securities from the Issuer at par or otherwise to cover any loss and receive any gains on the sale of CDS Collateral Eligible Securities and (ii) to provide a return on the CDS Collateral Required Amount equal to LIBOR. The Issuer will pay to the CDS Collateral Securities Counterparty (i) any gains on the CDS Collateral Eligible Securities in excess of par (in the aggregate) upon the termination of one or more transactions according to the terms of the CDS Collateral Agreement and (ii) any interest from the CDS Collateral Eligible Securities credited to the CDS Asset Collateral Account.

Reserve Account*Establishment of Account and Deposits Into Account*

The Trustee will establish the Reserve Account for the benefit of the Secured Parties and will deposit into segregated subaccounts of the Reserve Account (i) the proceeds of all Class A1 Note Fundings (other than a Class A1 Mandatory Note Funding and any Class A1 Note Funding following the occurrence of a Class A1 Mandatory Note Funding) into the Class A1 Note Funding Subaccount, (ii) transfers made to the Reserve Account pursuant to the Priority of Payments into the Capacity Subaccount and (iii) any and all collateral that the CDS Collateral Securities Counterparty is required to post upon the occurrence of a CDS Collateral Ratings Event into the Posted Collateral Subaccount. Amounts held in the sub-account described in clause (iii) above will not be available to the Issuer until the occurrence of a CDS Collateral Ratings Event and will not be included in the calculation of the CDS Asset Capacity Amount. Any deposits to the Capacity Subaccount of the Reserve Account will reduce the Class A1 Swap Notional Amount in the amount of such deposits to the extent so required pursuant to the Class A1 Swap or the Priority of Payments.

Use of Funds in the Account

If on any Business Day the Issuer is required to make a CDS Asset Payment, the Trustee will apply amounts on deposit in the Class A1 Note Funding Subaccount and Capacity Subaccount of the Reserve Account as and to the extent required in the CDS Payment Priority.

Discretionary Transfers from the Account

The Manager may, at its discretion with prior notice to the Trustee and with the prior consent of the CDS Collateral Securities Counterparty, at any time transfer amounts on deposit in the Capacity Subaccount of the Reserve Account to the CDS Asset Collateral Account.

Security for the Secured Obligations

General

Pursuant to the Indenture, the Secured Obligations will be secured, in accordance with the Priority of Payments, by (i) the Collateral Obligations and all payments thereon or with respect thereto and all related securities entitlements, (ii) the Issuer's right, title and interest in, to and under the Transaction Documents, (iii) the Accounts, (iv) any Cash or money held by the Trustee from time to time, (v) the Issuer's rights under the Class A1 Swap, (vi) the Issuer's rights under the CDS Collateral Agreement, (vii) any Covered Short CDS Asset, (viii) all other property and agreements of the Issuer, excluding the Excluded Property, and (ix) all proceeds of the foregoing (collectively, the "Collateral"). See "Security for the Secured Obligations".

The Class Q Combination Notes are not separately secured by the Collateral, but the Class C Component of the Class Q Combination Notes is secured in the same manner and to the same extent as the Class C Notes.

The Income Notes (including the Income Note Component of the Class Q Combination Notes) will constitute limited recourse debt obligations of the Issuer and will not be secured. See "Security for the Secured Obligations" and "Risk Factors—Status of the Income Notes" and "—Nature of the Eligible Collateral Debt Securities and Inherent Risks".

Eligible Collateral Debt Securities

The composition of the Eligible Collateral Debt Securities will be determined by the selections of the Manager and will be designed to meet the Portfolio Quality Tests, certain of the Portfolio Limitations and the Principal Coverage Tests as of the Closing Date and all such criteria will be met as of the Ramp-Up End Date.

The "Eligible Collateral Debt Securities" will consist of Asset Backed Securities that comply, including CDS Assets with respect to which the CDS Reference Obligation thereof and each permitted Deliverable Obligation thereunder is an Asset Backed Security that complies, with the following criteria on the date of the commitment to purchase by the Issuer:

(A) such security is issued by (a) an issuer incorporated or organized under the laws of the United States of America or (b) an Eligible SPV;

(B) such security is, as reasonably determined by the Manager:

- (1) a Multi-Sector CDO Security;
- (2) a Real Estate CDO Security;
- (3) a Home Equity Loan Security;
- (4) a CDO of CDO Security;
- (5) a CDO Security;
- (6) an ABS CDO Security;
- (7) a CLO Security;
- (8) an RMBS Security; or
- (9) a Static Bespoke CDO Security;

(C) such security is not, as reasonably determined by the Manager,

- (1) a CMBS Credit Tenant Lease Security;
- (2) a CMBS Single Asset Security;
- (3) a CMBS Conduit Security;

- (4) a CMBS Large Loan Security;
- (5) a Franchise Security;
- (6) a Manufactured Housing Security;
- (7) a Mutual Fund Security;
- (8) a Tobacco Settlement Security;
- (9) an Aircraft Security;
- (10) a Project Finance Security;
- (11) a Stranded Utility Asset Security;
- (12) a Tax Lien Security;
- (13) a Healthcare Security;
- (14) an Oil and Gas Security;
- (15) a Future Flow Security;
- (16) a NIM Security;
- (17) an Interest Only Security;
- (18) a Principal Only Security;
- (19) a Catastrophic Bond;
- (20) a Restaurant and Food Services Security;
- (21) a Structured Settlement Security;
- (22) an Enhanced Equipment Trust Certificate;
- (23) a Natural Resource Security;
- (24) a Real Estate Investment Trust Preferred Security;
- (25) a CBO Security;
- (26) an Index Security;
- (27) a Time Share Security;
- (28) an Equipment Leasing Security;
- (29) a Cap Corridor Floater;
- (30) an Emerging Markets CDO Security;
- (31) a Bank Trust Preferred CDO Security;
- (32) an Insurance Trust Preferred CDO Security;
- (33) a Market Value CDO Security;
- (34) a Balance Sheet CDO Security;
- (35) an ABS Small Business Loan Security;
- (36) an Automobile Lease Security;
- (37) an Automobile Loan Security;
- (38) a Credit Card Security;
- (39) a Guaranteed Debt Security;
- (40) a Student Loan Security;
- (41) a Project Finance CDO Security;
- (42) a Toggle Security;
- (43) a Negative Amortization Security;

- (44) a Step-Down Bond;
- (45) a Contingent CDO Security; or
- (46) an Inverse Floating Rate Security;
- (D) the acquisition (including the manner of acquisition), ownership, enforcement and disposition of such security will not cause the Issuer to be treated as engaged in a United States trade or business for United States Federal income tax purposes or otherwise to be subject to tax on a net income basis in any jurisdiction outside the Issuer's jurisdiction of incorporation;
- (E) the payments on such security are not subject to withholding tax unless the issuer thereof or the obligor thereon is, according to the offering documentation therefor, required to make "gross-up" payments sufficient to cover any withholding tax on an after-tax basis imposed at any time on payments made to the Issuer with respect thereto;
- (F) such security was issued after July 18, 1984 and is Registered (or, in the case of a certificate of interest in a trust that is treated as a grantor trust for and is Registered for United States Federal income tax purposes, each of the securities or obligations held by such trust meets the requirements described in this clause);
- (G) either:
 - (1) such security was issued pursuant to an effective registration statement under the Securities Act in a "firm commitment" or "best efforts" underwriting; or
 - (2) at its original issuance, such security (x) was issued pursuant to an offering circular, private placement memorandum, prospectus or similar offering document and (y) is a privately placed security eligible for resale under Rule 144A, Regulation S or another exemption under the Securities Act;
- (H) the acquisition of such security would not cause the Issuer or the pool of Collateral to be required to register as an investment company under the Investment Company Act;
- (I) such security is not a security that is ineligible under its Underlying Instruments to be purchased by the Issuer and pledged to the Trustee;
- (J) such security provides for the payment of principal in Cash at not less than par upon maturity, redemption or acceleration;
- (K) the Underlying Instruments of such security do not obligate the Issuer to make any future advances or any other payment except the purchase price thereof;
- (L) such security does not have a Spread or fixed-rate coupon that decreases over a specified period of time;
- (M) such security is not a Credit Risk Security, a Defaulted Security or a Written Down Security;
- (N) such security is not:
 - (1) a security issued by an issuer located in a country that imposes foreign exchange controls that effectively limit the availability or use of United States dollars to make when due the scheduled payments of principal of and interest on such security;
 - (2) Margin Stock and does not provide for conversion or exchange into Margin Stock at any time over its life;
 - (3) an obligation which (x) was incurred in connection with a merger,

acquisition, consolidation or sale of all or substantially all of the assets of a Person or similar transaction and (y) by its terms is required to be repaid within one year of the incurrence thereof with proceeds from additional borrowings or other refinancing;

(4) the subject of (x) any offer by the issuer of such security or by any other Person made to all of the holders of such security to purchase or otherwise acquire such security (other than pursuant to any redemption in accordance with the terms of the related Underlying Instruments) or to convert or exchange such security into or for cash, securities or any other type of consideration or (y) any solicitation by an issuer of such security or any other Person to amend, modify or waive any provision of such security or any related Underlying Instrument, and has not been called for redemption;

(5) an Equity Security;

(6) a security that by the terms of its Underlying Instruments provides for conversion or exchange (whether mandatory or at the option of the issuer or the holder thereof) into equity capital at any time prior to its maturity; or

(7) a financing by a debtor-in-possession in any insolvency proceeding;

(O) such security is not a first-loss tranche;

(P) such security is not a security that provides for the payment of interest in Cash less frequently than semi-annually;

(Q) such security is not currently deferring interest;

(R) such security is not a security with an S&P Rating that includes a "p", "pi", "q", "r" or "t" subscript;

(S) such security is not a security with a rating by Moody's that addresses solely the return of principal;

(T) since the issue date of such security, the public rating of such security has not been reduced (A) two or more times (in the aggregate) by either S&P or Moody's or (B) one time by S&P or Moody's if such security (x) has a public rating (subsequent to such downgrade) of "BBB" or "BBB-" by S&P or "Baa2" or "Baa3" by Moody's or (y) has been placed on watch for possible downgrade by Moody's or S&P; *provided* that if the most recent rating action on such security is positive watch or an upgrade by either S&P or Moody's, any such security which would otherwise not have satisfied this clause (T) will be deemed to have satisfied this clause (T).

(U) such security is denominated and payable in United States dollars;

(V) other than with respect to a Fixed Rate Security or Floating Rate Security—Deemed, it is a security the interest rate on which resets no less frequently than annually after the date of purchase by the Issuer pursuant to a dollar-based index;

(W) if such security is a Guaranteed Debt Security, the insurance provider of such security has a rating of at least "Aaa" by Moody's or a rating of at least "AAA" by S&P;

(X) the purchase price of such security is at least 85% of its Principal Balance;

(Y) if such security is a Floating Rate Security—Deemed, it has a Moody's Rating of at least "Aa3"; and

(Z) such security is expected to mature, as reasonably determined by the Manager, before the Maturity Date—Stated;

provided that, notwithstanding anything to the contrary in the Indenture, the Issuer may not purchase, acquire or hold (whether as part of a "unit" with an Eligible

Collateral Debt Security, in exchange for an Eligible Collateral Debt Security or otherwise) any Tax Ineligible Investment.

Unless the context otherwise requires, all references herein to Eligible Collateral Debt Securities mean Eligible Collateral Debt Securities owned by the Issuer.

CDS Assets

On the Closing Date, the Issuer will enter into a Master Agreement and Schedule with the Initial CDS Asset Counterparty, pursuant to which the Issuer may enter into credit default swaps or total rate of return swaps from time to time by executing and delivering confirmations on (i) a "Pay-As-You-Go Confirmation" or (ii) ISDA confirmation forms other than a Pay-As-You-Go Confirmation that have been approved by the Manager and that receive Rating Agency Confirmation from each Rating Agency. After the Closing Date, the Issuer may enter into additional agreements under Pay-As-You-Go Confirmations or forms other than a Pay-As-You-Go Confirmation (collectively, together with the credit default swaps entered into with the Initial CDS Asset Counterparty, the "CDS Assets") with additional counterparties that meet the eligibility requirements applicable to CDS Asset Counterparties (collectively, with the Initial CDS Asset Counterparty, the "CDS Asset Counterparties"). Each CDS Asset will reference a notional amount of one or more CDS Reference Obligations consisting of Eligible Collateral Debt Securities.

Under the CDS Assets, the Issuer will sell credit protection and will assume credit and interest rate risk with respect to each CDS Reference Obligation. The Issuer will receive CDS Fixed Amounts and, if any, Additional Fixed Amounts from each CDS Asset Counterparty determined in accordance with the terms of each CDS Asset. The Issuer will pay "Floating Amounts" (as such term is defined in the relevant CDS Asset) and payments in respect of Credit Events or termination events, as the case may be, to each CDS Asset Counterparty in accordance with the terms of each CDS Asset and, in the case of CDS Asset Payments payable on Payment Dates, the Priority of Payments. See "Security for the Secured Obligations—CDS Assets". The Issuer will release amounts from the CDS Asset Collateral Account and the Capacity Subaccount of the Reserve Account and, to the extent that the amounts on deposit therein are less than the CDS Asset Payments that are due and owing by the Issuer and, to the extent of the CDS Asset Capacity Amount, obtain Class A1 Note Fundings and deposit all such amounts either (i) into the Collection Account for application as Principal Collections on the related Payment Date or (ii) into the Capacity Subaccount of the Reserve Account for payments due to any CDS Asset Counterparty between Payment Dates. See "Security for the Secured Obligations—CDS Asset Collateral Account" and "—Reserve Account".

Following a Credit Event, a CDS Asset Counterparty may elect physical settlement for all or a portion of the notional amount of the relevant CDS Reference Obligation pursuant to the related CDS Asset. In the event of a physical settlement, the CDS Asset Counterparty will deliver the CDS Reference Obligation to the Issuer in exchange for a payment in cash equal to the portion of the reference obligation notional amount that is physically settled.

Covered Short CDS Assets

At any time that the Issuer would be entitled to terminate all or any portion of any CDS Asset, the Manager may instead cause the Issuer to enter into one or more Covered Short CDS Assets, each of which will provide for cash or physical settlement at the option of the Issuer. The Issuer will only enter into a Covered Short CDS Asset with a Covered Short CDS Asset Counterparty with respect to a notional amount up to the CDS Reference Obligation Notional Amount of the related CDS Asset. No CDS Asset Counterparty will be under any obligation to enter into a Covered Short CDS Asset with the Issuer at any time.

The entry into or purchase of a Covered Short CDS Asset by the Issuer will not be subject to satisfaction of the Portfolio Limitations or the Coverage Tests but will be

subject to satisfaction of the Covered Short CDS Criteria as of the date on which the Issuer makes a binding commitment to enter into or purchase the Covered Short CDS Asset. The Issuer's ongoing rights and obligations with respect to Covered Short CDS Assets will not be taken into account for purposes of the Issuer's compliance with the terms of the Indenture except in connection with the Weighted Average Spread—Minimum and any test described herein in which interest received is a necessary component of such test. See "Security for the Secured Obligations—Covered Short CDS Assets".

*Collateral
Management*

Pursuant to the Management Agreement and in accordance with the reinvestment restrictions and certain other restrictions set forth in the Indenture and the Management Agreement, the Manager will manage the selection, acquisition and disposition of the Eligible Collateral Debt Securities on behalf of the Issuer. See "The Manager".

Pursuant to the Priority of Payments, the Manager will receive certain fees for its services, including the Management Fee.

For a description of compensation payable to the Manager, see "The Management Agreement—Compensation of the Manager".

Use of Proceeds

The Issuer will use the proceeds from the issuance of the Notes (other than the Class A1 Notes), which are expected to be equal to approximately U.S.\$539,200,000, to purchase, or enter into, a portfolio of Eligible Collateral Debt Securities on and after the Closing Date through the Ramp-Up End Date and to pay certain fees and expenses aggregating approximately U.S.\$33,165,000.

On the Closing Date, the Issuer expects to enter into CDS Assets having a Net Aggregate Adjusted Notional Amount of approximately U.S.\$869,256,000, all of which will be acquired from an Affiliate of Citigroup. In addition, on the Closing Date, the Issuer will have purchased, or will have entered into agreements to purchase, Cash Assets with a Principal Balance—Aggregate of approximately U.S.\$100,000,000. See "Risk Factors—Nature of the Eligible Collateral Debt Securities and Inherent Risks", "—Purchase of Eligible Collateral Debt Securities; Certain Legal and Insolvency Considerations Related Thereto" and "—Potential Conflicts of Interest with Citigroup Global Markets Inc."

Approximately U.S.\$130,744,000 of the proceeds from the issuance of the Notes (other than the Class A1 Notes) will be deposited into the Principal Collection Account for use by the Issuer as part of the CDS Asset Capacity Amount and as a source of amounts available to acquire additional Cash Assets following the Closing Date, but prior to the Ramp-Up End Date.

The balance of the proceeds from the issuance of the Notes (other than the Class A1 Notes) will be deposited into the CDS Collateral Account and into the Capacity Subaccount of the Reserve Account.

*Purchase of Additional
Eligible Collateral
Debt Securities;
Ramp-Up End Date*

The Issuer will not be allowed to acquire Eligible Collateral Debt Securities after the Closing Date except under limited circumstances as specifically provided herein. See "Security for the Secured Obligations—Sale of Eligible Collateral Debt Securities and CDS Assets", "—Purchase of Eligible Collateral Debt Securities: Investment Criteria" and "—Covered Short CDS Assets".

The Issuer expects to continue to acquire Eligible Collateral Debt Securities after the Closing Date that, on a cumulative basis together with the Eligible Collateral Debt Securities purchased on the Closing Date, will have a Principal Balance—Aggregate of at least the Principal Balance Target as of the Ramp-Up End Date (inclusive of Eligible Collateral Debt Securities that are the subject of agreements to purchase entered into on or prior to the Ramp-Up End Date).

Prior to the Ramp-Up End Date, if the Issuer on any date of determination is not satisfying any Portfolio Quality Test, Coverage Test or Portfolio Limitation, the Issuer (or the Manager on behalf of the Issuer) may, with the prior consent of Citibank, N.A. (in its capacity as the Initial CDS Asset Counterparty) sell any Eligible Collateral Debt Security and acquire (in accordance with the Investment Criteria) additional Eligible Collateral Debt Securities with the proceeds of such sale; provided that the CDS Asset Capacity Amount shall not be less than zero as a result of such sale.

Credit Risk Securities, Defaulted Securities, Equity Securities or Tax Ineligible Investments may be sold at any time. During the period from the Closing Date until the third anniversary thereafter, following the sale of a Credit Risk Security or a Defaulted Security, the Manager will use commercially reasonable efforts to purchase (in compliance with the Investment Criteria) no later than 30 Business Days after the sale of such Credit Risk Security or Defaulted Security, one or more Eligible Collateral Debt Securities with a Principal Balance—Aggregate at least equal to the Sale Proceeds (excluding accrued interest) from such sale; provided that the Manager may choose not to apply such Sale Proceeds to purchase any substitute Eligible Collateral Debt Securities.

In addition, other than as part of a Redemption, any Eligible Collateral Debt Security that is not a Credit Risk Security, Defaulted Security, Equity Security or Tax Ineligible Investment may be sold at any time until the third anniversary of the Closing Date, subject to the satisfaction of certain conditions set forth herein. See "Security for the Secured Obligations—Sale of Eligible Collateral Debt Securities and CDS Assets—Discretionary Sales" and "—Purchase of Eligible Collateral Debt Securities: Investment Criteria".

Not more than five days after the Ramp-Up End Date, the Issuer (or the Manager on behalf of the Issuer) will request the Rating Agencies to confirm, in writing and within 20 Business Days after the Ramp-Up End Date, and so notify the Trustee, that they have not reduced or withdrawn the Initial Ratings. If any such rating is not confirmed, or is reduced or withdrawn, by either Rating Agency in connection with such requested confirmation on or before the first Payment Date (any such event, a "Ratings Confirmation Failure"), on each succeeding Payment Date, the Issuer will be required to pay principal of any Outstanding Secured Notes, in order of seniority from the most Senior Class to the most Junior Class, in each case, to the extent necessary to cause each Rating Agency to confirm or reinstate its respective Initial Ratings in accordance with the Priority of Payments.

Portfolio Quality Tests

The tests referred to below are collectively referred to herein as the "Portfolio Quality Tests". Unless otherwise indicated, for purposes of calculating the Portfolio Quality Tests, (i) other than with respect to the S&P CDO Monitor Test, the S&P Minimum Average Recovery Rate—Minimum and the Moody's Recovery—Minimum, Defaulted Securities will be excluded and (ii) other than with respect to the Moody's Asset Correlation Factor—Maximum and the S&P CDO Monitor Test, a CDS Asset will be included as an Eligible Collateral Debt Security having the characteristics of such CDS Asset and not of the related CDS Reference Obligation. For purposes of the Moody's Asset Correlation Factor—Maximum, a CDS Asset will be included as an Eligible Collateral Debt Security having the characteristics of the related CDS Reference Obligation and not of such CDS Asset. For purposes of the S&P CDO Monitor Test, a CDS Asset will be included as an Eligible Collateral Debt Security having the characteristics of the related CDS Reference Obligation for the related industry and otherwise as having the characteristics of such CDS Asset. For purposes of the Moody's Rating Factor—Maximum, a CDS Asset will have a Moody's Rating Factor equal to the Moody's Rating of such CDS Asset. Measurement of the degree of compliance with the Portfolio Quality Tests will occur only on the Closing Date, the Ramp-Up End Date and in the limited circumstances where the Issuer invests in Eligible Collateral Debt Securities after the Closing Date. See "Security for the Secured Obligations—Sale of Eligible Collateral Debt Securities and CDS Assets" and

"—Purchase of Eligible Collateral Debt Securities; Investment Criteria".

- (a) The "Moody's Rating Factor—Maximum" will be satisfied if the Moody's Weighted Average Rating Factor does not exceed 125.
- (b) The "Weighted Average Spread—Minimum" will be satisfied if the Weighted Average Spread equals or exceeds 2.15%.
- (c) The "Moody's Asset Correlation Factor—Maximum" will be satisfied if the Moody's Asset Correlation Factor does not exceed 31.0%; *provided that* the calculation of the Moody's Asset Correlation Factor is based on a number of assets equal to 55.
- (d) The "Weighted Average Life—Maximum" will be satisfied if the Weighted Average Life with respect to the portfolio of Eligible Collateral Debt Securities as a whole does not exceed 7 years *minus* the number of years (including fractions of a year) that has elapsed since the Closing Date:
- (e) The "Moody's Recovery—Minimum" will be satisfied if the Moody's Weighted Average Recovery Rate equals or exceeds 35.0%.
- (f) The "S&P Minimum Average Recovery Rate—Minimum" will be satisfied if the S&P Minimum Average Recovery Rate equals or exceeds the percentage indicated below for the most senior Class of Notes Outstanding as of such Measurement Date.

<u>Class of Notes</u>	<u>Percentage</u>
Class A1, A2 or A3	40.0%
Class A4	45.0%
Class B	55.0%
Class C	65.0%

- (g) The "S&P CDO Monitor Test", when S&P has delivered the S&P CDO Monitor to the Trustee, will be satisfied if, for each Class of Notes rated by S&P, the S&P Loss Rate Differential of the S&P Proposed Portfolio is positive and will be improved as of any Measurement Date on or after the Ramp-Up End Date if, for each Class of Notes rated by S&P, the S&P Loss Rate Differential of the S&P Proposed Portfolio is greater than the S&P Loss Rate Differential of the S&P Current Portfolio. See "Security for the Secured Obligations—Portfolio Quality Tests".

Portfolio Limitations

"Portfolio Limitations" require that, for each row in the table below, unless otherwise stated, not more than the percentage or amount specified in Column A of such row of the Principal Balance—Portfolio may consist of Eligible Collateral Debt Securities (measured by Principal Balance) having the characteristics specified in Column B of such row. Unless otherwise indicated, for purposes of calculating the Portfolio Limitations, (i) Defaulted Securities will be excluded and (ii) (other than the Portfolio Limitations that address CDS Assets, the interest rate, rating, payment frequency and maturity of an Eligible Collateral Debt Security), a CDS Asset will be included as an Eligible Collateral Debt Security having the characteristics of the related CDS Reference Obligation and not of such CDS Asset. Measurement of the degree of compliance with the Portfolio Limitations will occur only on the Closing Date, the Ramp-Up End Date and in the limited circumstances where the Issuer invests in Eligible Collateral Debt Securities after the Closing Date. See "Security for the Secured Obligations—Sale of Eligible Collateral Debt Securities and CDS Assets" and"—Purchase of Eligible Collateral Debt Securities; Investment Criteria".

<u>Row</u>	<u>Column A</u>	<u>Column B</u>
1	8.0%	a Moody's Rating below "A2" or an S&P Rating below "A"
2	0.0%	a Moody's Rating below "A3" or an S&P Rating below "A-"
3	2.0%	part of the same issue; <i>provided</i> that up to two exceptions may each comprise up to 3.5% of the Principal Balance—Portfolio
4	0.0%	Eligible Collateral Debt Securities for which the Manager serves as collateral manager, investment advisor or sub-advisor
5	10.0%	Served by the same collateral manager, investment advisor or sub-advisor
6	100.0%	CDO Securities
7	2.0%	CDO of CDO Securities
8	100.0%	ABS CDO Securities
9	100.0%	CDO Securities that are also PIK Bonds
10	10.0%	Maturing beyond the Maturity Date—Stated; <i>provided</i> that (i) up to 5.00% of the Principal Balance—Portfolio may consist of Eligible Collateral Debt Securities maturing later than five years after the Maturity Date—Stated and (ii) no Eligible Collateral Debt Security may mature later than ten years after the Maturity Date—Stated
11	5.0%	Eligible Collateral Debt Securities that pay interest less frequently than quarterly
12	5.0%	CDS Assets for which the related CDS Reference Obligations do not bear interest based on a floating rate
13	5.0%	Semi-Annual Securities
14	20.0%	Cash Assets
15	5.0%	RMBS Securities (which include Home Equity Loan Securities)
16	2.0%	Static Bespoke CDO Securities; <i>provided</i> that the Issuer may own only one Eligible Collateral Debt Security that is a Static Bespoke CDO Security
Cashflow Swap Agreements		The Issuer will, on or prior to the Closing Date, enter into a Cashflow Swap Agreement for purposes of managing the Issuer's risk exposure relating to the possible shortfalls in payments of interest on the Class S Notes and the Class A Notes relating to the presence of PIK Bonds in the Collateral.
Hedge Agreements		In addition, the Issuer may, from time to time, enter into interest rate cap agreements, interest rate floor agreements, interest rate swap agreements or similar agreements that hedge the Issuer's interest rate exposure as described herein. Any payments required to be made under the Hedge Agreements will be made in accordance with the Priority of Payments. See "—Priority of Payments" and "Security for the Secured Obligations—Hedge Agreements". The Issuer does not intend to enter into any Hedge Agreements on or prior to the Closing Date.

**Additional
Information****The Offering**

The Notes are being offered (i) outside the United States to Non-U.S. Persons in accordance with Regulation S and (ii) in the United States to QPs who are also QIBs or, in the case of the Class B Notes, Class C Notes, Class Q Combination Notes and the Income Notes only, Accredited Investors, purchasing for their own account and, in each case, in accordance with any applicable securities laws of any state of the United States and any other relevant jurisdiction.

**Minimum
Denominations**

Each Class of Notes will be issued and may be transferred only in the minimum denominations and integral multiples in excess thereof specified in the Principal Terms Table.

**Form and
Registration**

Each Secured Note sold in the United States to a U.S. Person that is a QIB will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons attached (the "Rule 144A Global Notes"). The Rule 144A Global Notes will be deposited with the Trustee as custodian for DTC and will be registered in the name of Cede & Co., as nominee of DTC.

The Class B Notes and Class C Notes initially sold in the United States to a U.S. Person that is an Accredited Investor and the Class Q Combination Notes and the Income Notes sold in the United States to U.S. Persons will be issued in the form of one or more physical certificates in definitive, fully registered form only, registered in the name of the beneficial owner or a nominee thereof (collectively, the "Certificated Notes").

Each Secured Note, Class Q Combination Note and Income Note sold to Persons who are not U.S. Persons in Offshore Transactions in accordance with Regulation S will be represented by one or more temporary global notes in definitive, fully registered form without interest coupons attached (the "Temporary Regulation S Global Notes") which may be exchanged for one or more permanent global notes in definitive, fully registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the Temporary Regulation S Global Notes and the Rule 144A Global Notes, the "Global Notes"). The Temporary Regulation S Global Notes and Regulation S Global Notes will be deposited with the Trustee acting as custodian for DTC and registered in the name of DTC (or its nominee) for credit to the applicable purchaser accounts at Euroclear and Clearstream.

Interests in the Temporary Regulation S Global Notes and the Regulation S Global Notes may be held only through Euroclear or Clearstream and may not be held by a U.S. Person at any time.

Listing

Application will be made to the Irish Stock Exchange to admit the Listed Notes to the Official List. There can be no assurance that such admission will be granted or, if granted, maintained. The issuance, sale and settlement of the Notes on the Closing Date will not be conditioned on the listing of any of the Listed Notes on the Irish Stock Exchange. See "Listing and General Information".

**Certain Tax
Considerations**

For a discussion of certain tax consequences to purchasers of the Notes, see "Certain Tax Considerations" herein.

**Certain ERISA
Considerations**

For a discussion of certain ERISA-related restrictions on the ownership and transfer of the Notes, see "Certain ERISA Considerations" herein.

Governing Law

The Notes and the Transaction Documents (other than as set forth in the immediately following sentence) will be governed by, and construed in accordance with, the laws of the State of New York. The Administration Agreement and the Articles will be governed by, and construed in accordance with, the laws of the Cayman Islands.

RISK FACTORS

An investment in the Notes involves significant risks that each prospective purchaser should carefully consider prior to making an investment decision with respect to the Notes. Prospective investors should carefully consider, in addition to the matters set forth elsewhere in this Offering Circular, the following factors.

1. Limited Assets to Make Payments on the Secured Notes and to Pay Distributions on the Income Notes. The Co-Issued Notes will be joint and several limited recourse debt obligations of the Co-Issuers. The Non-Co-Issued Notes will be limited recourse debt obligations of the Issuer only. The Secured Notes will be payable solely from and to the extent of the available proceeds from the Collateral (including the Eligible Collateral Debt Securities owned by the Issuer and pledged to secure the Secured Obligations on the Closing Date, as well as Eligible Collateral Debt Securities to be purchased from time to time as described herein). The Issuer, as a special purpose company, will have no significant assets other than the Collateral to be pledged to secure the Secured Obligations. The Income Notes will be unsecured and will be payable solely from proceeds of the Collateral released from the lien of the Indenture in accordance with the Priority of Payments. The Co-Issuer will have no substantial assets. Except for the Co-Issuers, no Person will be obligated to make any payments on the Co-Issued Notes and, except for the Issuer, no Person will be obligated to make any payments on the Non-Co-Issued Notes. Consequently, Holders of the Notes must rely solely upon distributions on the Eligible Collateral Debt Securities and any other Collateral for the payment of amounts payable in respect of the Notes. If distributions on such Collateral are insufficient to make payments on the Secured Notes or to pay distributions on the Income Notes, all in accordance with the Priority of Payments, no other assets of the Issuer or any other Person will be available for the payment of the deficiency. After the disposition of all proceeds of the Collateral, any remaining claims against the Applicable Issuers will be extinguished and will not revive thereafter and no funds will be available to the Income Note Paying Agent for payment of distributions on the Income Notes pursuant to the Income Note Paying Agency Agreement.

2. Subordination of the Notes. Payments of principal of and interest on the Secured Notes, and distributions on the Income Notes, will be subject to the Priority of Payments. All Classes of Notes will be subordinated to certain other payments under the Priority of Payments. In addition, to the extent set forth in the Priority of Payments, each Junior Class of Notes will be subordinated to the respective Senior Classes of Notes (as specified in the Principal Terms Table). The Income Notes will be subordinated to the Secured Notes and all other amounts due under the Priority of Payments. Any amounts applied to pay distributions on the Income Notes will not be available to support payments of principal and interest subsequently payable in respect of the Secured Notes. The holders of the Income Notes are not entitled to a stated return on their investment; however, the Issuer will not be permitted to attempt a Redemption that is not at the direction of the Holders of the Income Notes on or after the Mandatory Redemption Date—Initial unless the Holders of the Income Notes have received the Required Amount.

If any interest payable on any Class of non-Deferrable Interest Notes or a Class of Deferrable Interest Notes that is the most Senior Class of Note Outstanding is not paid on the applicable Payment Date, such nonpayment will constitute an Event of Default and such interest will be considered Defaulted Interest payable in accordance with the Priority of Payments and will not be added to the principal amount of such Junior Class. To the extent lawful and enforceable, interest on Defaulted Interest with respect to any Note of any Class will accrue at the Periodic Interest Rate for such Class until paid as described herein. However, Defaulted Interest (and interest accruing thereon) will not be included in the computation of the denominator of any of the Principal Coverage Ratios or Interest Coverage Ratios.

If any interest is not paid on any Class of Deferrable Interest Notes on any Payment Date on any Note that is not the most Senior Class of Note Outstanding, the amount of such shortfall will not be deemed due and payable under the Indenture (and the failure to pay such amount will not constitute an Event of Default), but the Periodic Interest Cumulative Shortfall Amount for such Class of Deferrable Interest Notes will be increased by the amount of such interest shortfall, which will not be payable as Periodic Interest on any subsequent Payment Date. The Periodic Interest Cumulative Shortfall Amount for each Class of Deferrable Interest Notes as of any Payment Date will be added to the principal amount of such Class of Deferrable Interest Notes and will accrue interest for each subsequent Periodic Interest Accrual Period at the Periodic Interest Rate for such Class as a constituent of the principal amount of such Class of Deferrable Interest Notes, and such accrued interest will be payable on any subsequent Payment

Date pursuant to the Priority of Payments as interest on such Class of Deferrable Interest Notes or added to the Periodic Interest Cumulative Shortfall Amount as aforesaid.

For purposes of determining seniority, the Class Q Combination Notes shall not be treated as a separate Class, but the Class C Component and the Income Note Component, as applicable, shall have the same ranking as the Class C Notes and the Income Notes, respectively.

In addition, in certain situations, the Class A1 Swap Counterparty may be entitled to direct the Trustee to exercise certain remedies available to it, which may be adverse to the Holders of each Outstanding Junior Class of Notes.

The Issuer will have only nominal equity capitalization in the form of its Ordinary Shares, and the Co-Issuer will have only nominal equity capitalization in the form of its common equity of U.S.\$100. To the extent that any elimination, deferral or reduction in payments on the Notes occurs, such elimination will be borne by the Notes in reverse order of seniority. Thus, the greatest risk of loss relating to defaults on the Eligible Collateral Debt Securities will be borne by the Income Notes. To the extent that a default occurs with respect to any Eligible Collateral Debt Security and the Trustee sells or otherwise disposes of such Eligible Collateral Debt Security, it is likely that the proceeds of such sale or other disposition will be less than the unpaid principal and interest on such Eligible Collateral Debt Security. Funds available for distribution to the Income Notes will be reduced by losses occurring on the Eligible Collateral Debt Securities, and returns on the Income Notes will be adversely affected as a result.

3. Risks Related to Liquidation of Collateral Upon an Event of Default. In the case of certain Events of Default, the Requisite Noteholders (which initially will be the Class A1 Swap Counterparty) will be entitled to determine the remedies to be exercised under the Indenture and may, at their sole discretion, direct the liquidation of the Collateral and, in some specified circumstances, even if the anticipated net proceeds of such liquidation would not be sufficient to pay all the Secured Notes in full. See "The Indenture and the Income Note Paying Agency Agreement—Events of Default". In the event the Collateral is liquidated under these circumstances, the likelihood that the Holders of the Secured Notes will be paid in full, and the amounts payable to the Holders of the Income Notes, will depend upon the value of the Eligible Collateral Debt Securities that may be realized upon their liquidation rather than the Issuer's ability to collect principal of and interest on (or payments due to the Issuer under any CDS Asset, as applicable) the Eligible Collateral Debt Securities as they become due. The market value of the Eligible Collateral Debt Securities will generally fluctuate with, among other things, changes in market rates of interest, general economic conditions, world political events, developments or trends in any particular industry, the conditions of financial markets and the financial condition of the issuers of securities similar to the Notes.

Remedies pursued by the Requisite Noteholders could and are likely to be adverse to the interests of the Notes junior to the Requisite Noteholders. Holders of the Income Notes will have no right to determine the remedies to be exercised under the Indenture upon an Event of Default. There can be no assurance that, following any liquidation of the Collateral and the application of the proceeds thereof to pay the fees, expenses and other liabilities payable by the Co-Issuers, sufficient funds will remain to pay the Secured Notes, or that any funds will remain to make any distributions on the Income Notes.

4. Modification of the Indenture and the Income Note Paying Agency Agreement without Noteholder Consent. The provisions of the Indenture and the Income Note Paying Agency Agreement may be modified subject to the satisfaction of various conditions precedent. In certain cases, the consent of Holders of Notes is required for such modifications, but, in certain cases, such consent is not required. See "The Indenture and the Income Note Paying Agency Agreement—Modification of the Indenture" and "—Voting Rights of the Holders of Income Notes".

The terms of the Notes provide that in certain circumstances in which Holders of Notes are permitted to vote, a failure to cast a vote, including an abstention by the Holder, will be treated as a vote in favor of the underlying proposal. Each Holder of Notes should pay particular attention to any request for a vote on any matter that may affect its interests.

5. Status of the Income Notes. The Income Notes will represent a residual interest in the assets of the Issuer and will not be secured by the Eligible Collateral Debt Securities or the other Collateral securing the